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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 002225

SIPDIS

STATE FOR NEA/IPA AND EEB, NSC FOR KUMAR, OPIC FOR  
DRUMHELLER, JOINT STAFF FOR LTGEN SELVA

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TAGS: [ECON](#) [EINV](#) [KPAL](#) [PGOV](#) [IS](#)

SUBJECT: A PALESTINIAN COMMERCIAL PROJECT IN EAST JERUSALEM  
NEARS COMPLETION

Classified By: Consul General Daniel Rubinstein, for reasons 1.4 b,d

11. (C) Summary. The Arab proprietors of a significant real estate development in East Jerusalem report that the first phase of their project, encompassing 70 apartments, is now nearing completion. The project has taken more than a decade, due to the time required to secure the appropriate permits and difficulty securing financing. The developers report that nearly all their apartments have been sold, even though the lack of available mortgage financing in East Jerusalem has forced them to support additional financing for some buyers. End Summary.

#### A Rare Arab-Owned Real Estate Project in East Jerusalem

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12. (C) On December 8, Econoff met with Dr. Basem Abu Asab, a prominent doctor and businessman in East Jerusalem, whose company is building a large residential and commercial complex in the Shu'fat area of East Jerusalem. His partner, Samir Jolani, characterized the project as "the biggest Palestinian real estate project in Jerusalem since 1967." The complex, called Abraj al-Quds ("Towers of Jerusalem"), will consist of around 130 apartments and 100 small shops, as well as cafes and office space. Abu Asab said it took nine years to receive a permit from the Municipality of Jerusalem, and three years to finish the first phase of construction. The first occupants moved into their units in November 2009.

13. (C) The project consists of three phases, the first of which is nearing completion. This phase consists of 70 apartments, nearly all of which have been sold. The target market is the upper-middle class, and apartments boast modern facilities and range between 100-200 square meters in size. The cost varies by unit, but ranges between USD 150,000-400,000. According to Abu Asab, the property has attracted buyers from many different neighborhoods in East Jerusalem. The complex will also include an underground parking garage for 240 cars (a municipality requirement), and a number of shops, cafes, and offices on the first and second floors. The company is also building a road connecting the property to the main road in the center of town, and a stop for the Jerusalem "light rail" is under construction nearby.

#### Nine Years and an Army of Lawyers

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14. (C) Dr. Abu Asab said it took nine years and "an army of lawyers" to secure a building permit from the municipality. His lawyers are currently two years into negotiations with the municipality to construct an additional 50 apartments on top of the current structure, and to build a grocery store nearby. Above all else, he said, the permitting regime demands patience and planning. He said a number of other

projects in East Jerusalem collapsed when builders did not take into account municipal taxes, or when they gave up on the lengthy permitting process. Abu Asab said manpower was also an issue, as he and his partners had to negotiate for permits for each and every construction worker to enter from the West Bank.

#### Lack of Liquidity Dictates Pace of Construction

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15. (C) After receiving permission to begin this development, Abu Asab spoke with both Israeli and Palestinian banks in an effort to secure financing. He said the Israeli banks were unwilling to lend on the scale needed, and the Palestinian banks were unable to lend because they could not put a lien on a property in East Jerusalem. One bank was willing to give Abu Asab a personal loan, rather than a company loan, but Abu Asab said he was unwilling to shoulder all of the risk. "People are afraid to invest in Jerusalem," he said, "but there is a desperate need."

16. (C) Because of the difficulty in accessing finance for the project, the partners decided to use money from advance sales to fund construction. The lack of liquidity meant the project had to proceed exceedingly slowly, and drove up costs further, according to Jolani. "It is not a good way to do business," he said, "but it was our only option." Jolani noted that buyers also face difficulty accessing loans to purchase apartments. As a result, he said, the company has taken on the role of a bank, and is collecting payments from buyers in installments, but is not charging interest. He said that not a single buyer has defaulted on a payment thus

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far. The project has not received funding from any donors or governments.

17. (C) Abu Asab owns 30% of the company. He also built seven well-respected medical clinics in East Jerusalem over the last 20 years. Jolani, a Palestinian businessman who made his fortune in the textile market in Venezuela and returned to Jerusalem in 1995, owns 50%. Locally-based Nabali Corporation owns the remainder. "We are really very proud of this," Jolani said. "It took a long time, but we've built something real."

RUBINSTEIN